

108TH CONGRESS  
1ST SESSION

# S. 1078

To provide for military charters between military installations and local school districts, to provide credit enhancement initiatives to promote military charter school facility acquisition, construction, and renovation, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MAY 19, 2003

Ms. LANDRIEU introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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## A BILL

To provide for military charters between military installations and local school districts, to provide credit enhancement initiatives to promote military charter school facility acquisition, construction, and renovation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **TITLE I—STABLE TRANSITIONS**  
2 **IN EDUCATION FOR ARMED**  
3 **SERVICES’ DEPENDENT**  
4 **YOUTH**

5 **SEC. 101. SHORT TITLE.**

6 This title may be cited as the “Stable Transitions in  
7 Education for Armed Services’ Dependent Youth Act”.

8 **SEC. 102. FINDINGS.**

9 Congress finds that—

10 (1) States are establishing new and higher aca-  
11 demic standards for students in kindergarten  
12 through grade 12;

13 (2) no Federal funding streams are specifically  
14 designed to help States and school districts with the  
15 costs of providing military or mobile students who  
16 are struggling academically, with the extended learn-  
17 ing time and accelerated curricula that the students  
18 need to meet high academic standards;

19 (3) forty-eight States now require State ac-  
20 countability tests to determine student grade-level  
21 performance and progress;

22 (4) nineteen States currently rate the perform-  
23 ance of all schools or identify low-performing schools  
24 through State accountability tests;

1           (5) sixteen States now have the power to close,  
2           take over, or overhaul chronically failing schools on  
3           the basis of those tests;

4           (6) fourteen States provide high-performing  
5           schools with monetary rewards on the basis of those  
6           tests;

7           (7) nineteen States currently require students  
8           to pass State accountability tests to graduate from  
9           secondary school;

10          (8) six States currently link student promotion  
11          to results on State accountability tests;

12          (9) thirty-seven States have a process in place  
13          that allows charters to be a useful tool to bridge the  
14          gap created by frequent school changes;

15          (10) excessive percentages of students are not  
16          meeting their State standards and are failing to per-  
17          form at high levels on State accountability tests; and

18          (11) among mobile students, a common thread  
19          is that school transcripts are not easily transferred  
20          and credits are not accepted between public school  
21          districts in the United States.

22 **SEC. 103. PURPOSE.**

23          The purpose of this title is to provide Federal support  
24          through a new demonstration program to States and local  
25          educational agencies, to enable the States and local edu-

1 cational agencies to develop models for high quality mili-  
 2 tary charter schools that are specifically designed to help  
 3 mobile military dependent students attending public school  
 4 make a smooth transition from one school district to an-  
 5 other, even across State lines, and achieve a symbiotic re-  
 6 lationship between military installations and these school  
 7 districts.

8 **SEC. 104. DEFINITIONS.**

9 In this title:

10 (1) ELEMENTARY SCHOOL; SECONDARY  
 11 SCHOOL; LOCAL EDUCATIONAL AGENCY; STATE EDU-  
 12 CATIONAL AGENCY.—The terms “elementary  
 13 school”, “secondary school”, “local educational agen-  
 14 cy”, and “State educational agency” have the mean-  
 15 ings given such terms in section 9101 of the Ele-  
 16 mentary and Secondary Education Act of 1965 (20  
 17 U.S.C. 7801).

18 (2) MILITARY INSTALLATION.—The term “mili-  
 19 tary installation” has the meaning given such term  
 20 in section 2687(e)(1) of title 10, United States  
 21 Code.

22 (3) MILITARY DEPENDENT STUDENT.—The  
 23 term “military dependent student” means an ele-  
 24 mentary school or secondary school student who has  
 25 a parent who is a member of the Armed Forces, in-

1 cluding a member of a reserve component of the  
 2 Armed Forces, without regard to whether the mem-  
 3 ber is on active duty or full-time National Guard  
 4 duty (as defined in section 101(d) of title 10, United  
 5 States Code).

6 (4) SECRETARY.—The term “Secretary” means  
 7 the Secretary of Defense.

8 (5) STUDENT.—The term “student” means an  
 9 elementary school or secondary school student.

10 **SEC. 105. GRANTS TO STATES.**

11 (a) GRANTS AUTHORIZED.—

12 (1) IN GENERAL.—From amounts appropriated  
 13 under section 110, the Secretary, in consultation  
 14 with the Secretary of Education, shall establish a  
 15 demonstration program through which the Secretary  
 16 shall make grants to State educational agencies, on  
 17 a competitive basis, to enable the State educational  
 18 agencies to assist local educational agencies in estab-  
 19 lishing and maintaining high quality military charter  
 20 schools.

21 (2) DISTRIBUTION RULE.—In awarding grants  
 22 under this title the Secretary shall ensure that such  
 23 grants serve not more than 10 States and not more  
 24 than 35 local educational agencies with differing de-  
 25 mographics.

1 (3) SPECIAL LOCAL RULE.—

2 (A) NONPARTICIPATING STATE.—If a  
3 State chooses not to participate in the dem-  
4 onstration program assisted under this title or  
5 does not have an application approved under  
6 subsection (c), then the Secretary may award a  
7 grant directly to a local educational agency in  
8 the State to assist the local educational agency  
9 in carrying out high quality military charter  
10 schools.

11 (B) LOCAL EDUCATIONAL AGENCY APPLI-  
12 CATION.—To be eligible to receive a grant  
13 under this paragraph, a local educational agen-  
14 cy shall submit an application to the Secretary  
15 at such time, in such manner, and containing  
16 such information as the Secretary may require.

17 (C) REGULATIONS.—The Secretary shall  
18 promulgate such regulations as the Secretary  
19 determines necessary to carry out this para-  
20 graph.

21 (b) ELIGIBILITY AND SELECTION.—

22 (1) ELIGIBILITY.—For a State educational  
23 agency to be eligible to receive a grant under sub-  
24 section (a), the State served by the State educational  
25 agency shall—

1 (A) have in effect all standards and assess-  
2 ments required under section 1111 of the Ele-  
3 mentary and Secondary Education Act of 1965  
4 (20 U.S.C. 6311);

5 (B) compile and annually distribute to par-  
6 ents a public school report card that, at a min-  
7 imum, includes information on student and  
8 school performance for each of the assessments  
9 required under section 1111 of the Elementary  
10 and Secondary Education Act of 1965;

11 (C) require each military charter school as-  
12 sisted under this title to be an independent pub-  
13 lic school;

14 (D) require each military charter school  
15 assisted under this title to operate under an ini-  
16 tial 5-year charter granted by a State charter  
17 authority, with specified check points and re-  
18 newal, as required by State law; and

19 (E) require each military charter school as-  
20 sisted under this title to participate in the  
21 State's testing program.

22 (2) SELECTION.—In selecting State educational  
23 agencies to receive grants under this section, the  
24 Secretary shall make the selections in a manner con-  
25 sistent with the purpose of this title.

1 (c) APPLICATION.—

2 (1) IN GENERAL.—To be eligible to receive a  
3 grant under this section, a State educational agency  
4 shall submit an application to the Secretary at such  
5 time, in such manner, and containing such informa-  
6 tion as the Secretary may require.

7 (2) CONTENTS.—Such application shall in-  
8 clude—

9 (A) information describing specific measur-  
10 able goals and objectives to be achieved in the  
11 State through the military charter schools car-  
12 ried out under this title, which may include spe-  
13 cific measurable annual educational goals and  
14 objectives relating to—

15 (i) increased student academic  
16 achievement;

17 (ii) decreased student dropout rates;

18 (iii) governance, parental involvement  
19 plans, and disciplinary policies;

20 (iv) a military charter school admis-  
21 sions policy that requires a minimum of 60  
22 percent military dependent elementary  
23 school or secondary school students, and a  
24 maximum of 80 percent of military de-  
25 pendent students, except where such per-

centages are impossible to maintain because of the demographics of the area around the military installation;

(v) liability and other insurance coverage, business and accounting practices, and the procedures and methods employed by the chartering authority in monitoring the school; and

(vi) such other factors as the State educational agency may choose to measure; and

(B) information on criteria, established or adopted by the State, that—

(i) the State will use to select local educational agencies for participation in the military charter schools carried out under this title; and

(ii) at a minimum, will assure that grants provided under this title are provided to—

(I) the local educational agencies in the State that are sympathetic to, and take actions to ease the transition burden upon, such local educational agencies' military dependent students;

1 (II) the local educational agencies  
2 in the State that have the highest per-  
3 centage of military dependent stu-  
4 dents impacting the local school sys-  
5 tem or not meeting basic or minimum  
6 required standards for State assess-  
7 ments required under section 1111 of  
8 the Elementary and Secondary Edu-  
9 cation Act of 1965; and

10 (III) an assortment of local edu-  
11 cational agencies serving urban, sub-  
12 urban, and rural areas, and impacted  
13 by a local military installation.

14 **SEC. 106. GRANTS TO LOCAL EDUCATIONAL AGENCIES.**

15 (a) IN GENERAL.—

16 (1) FIRST YEAR.—Except as provided in para-  
17 graph (3), for the first year that a State educational  
18 agency receives a grant under this title, the State  
19 educational agency shall use the funds made avail-  
20 able through the grant to make grants to eligible  
21 local educational agencies in the State to pay for the  
22 Federal share of the cost of planning for or carrying  
23 out the military charter school programs.

24 (2) SUCCEEDING YEARS.—Except as provided  
25 in paragraph (3), for the second and third year that

1 a State educational agency receives a grant under  
2 this title, the State educational agency shall use the  
3 funds made available through the grant to make  
4 grants to eligible local educational agencies in the  
5 State to pay for the Federal share of the cost of  
6 carrying out the military charter school programs.

7 (3) TECHNICAL ASSISTANCE AND PLANNING AS-  
8 SISTANCE.—The State educational agency may use  
9 not more than 5 percent of the grant funds received  
10 under this title for a fiscal year—

11 (A) to provide to the local educational  
12 agencies technical assistance that is aligned  
13 with the curriculum of the local educational  
14 agencies for the programs;

15 (B) to enable the local educational agencies  
16 to obtain such technical assistance from entities  
17 other than the State educational agency that  
18 have demonstrated success in using the cur-  
19 riculum; and

20 (C) to assist the local educational agencies  
21 in evaluating activities carried out under this  
22 title.

23 (b) APPLICATION.—

24 (1) IN GENERAL.—To be eligible to receive a  
25 grant under this section, a local educational agency

1 shall submit an application to the State educational  
2 agency at such time, in such manner, and containing  
3 such information as the Secretary or the State edu-  
4 cational agency may require.

5 (2) CONTENTS.—Each such application shall  
6 include, to the greatest extent practicable—

7 (A) information that—

8 (i) demonstrates that the local edu-  
9 cational agency will carry out a military  
10 charter school program funded under this  
11 section—

12 (I) that provides intensive high  
13 quality programs that are aligned  
14 with challenging State content and  
15 student performance standards, and  
16 that is focused on reinforcing and  
17 boosting the core academic skills and  
18 knowledge of students who are strug-  
19 gling academically, as determined by  
20 the State;

21 (II) that focuses on accelerated  
22 learning, rather than remediation, so  
23 that students served through the pro-  
24 gram will master the high level skills  
25 and knowledge needed to meet the

1 highest State standards or to perform  
2 at high levels on all State assessments  
3 required under section 1111 of the El-  
4 elementary and Secondary Education  
5 Act of 1965;

6 (III) that is based on, and incor-  
7 porates best practices relating to the  
8 charter schools including practices re-  
9 lating to the “academic passport”  
10 concept, which would ease transitions  
11 for mobile students;

12 (IV) that has a proposed cur-  
13 riculum that is directly aligned with  
14 State student performance standards,  
15 and which may incorporate a cur-  
16 riculum from the Department of De-  
17 fense Education Activity;

18 (V) for which only teachers who  
19 are certified and licensed, and are  
20 otherwise fully qualified teachers, pro-  
21 vide academic instruction to students  
22 enrolled in the program;

23 (VI) that offers to staff in the  
24 program professional development and  
25 technical assistance that are aligned

1 with the approved curriculum for the  
2 program; and

3 (VII) that incorporates a paren-  
4 tal involvement component that seeks  
5 to involve parents in the program's  
6 topics and students' daily activities;  
7 and

8 (ii) may include—

9 (I) the proposed curriculum for  
10 the military charter school program;

11 (II) the local educational agen-  
12 cy's plan for recruiting highly quali-  
13 fied and highly effective teachers (in-  
14 cluding encouraging members of the  
15 Reserves and Guard who possess all  
16 required qualifications to serve as  
17 teachers) to participate in the pro-  
18 gram; and

19 (III) a schedule for the program  
20 that indicates that the program is of  
21 sufficient duration and intensity to  
22 achieve the State's goals and objec-  
23 tives described in section  
24 105(c)(2)(A);

1 (B) an outline indicating how the local  
2 educational agency will utilize applicable Fed-  
3 eral, State, local, or public funds, other than  
4 funds made available through the grant, to sup-  
5 port the program;

6 (C) an explanation of how the local edu-  
7 cational agency will ensure that the instruction  
8 provided through the program will be provided  
9 by qualified teachers;

10 (D) an explanation of the types of inten-  
11 sive training or professional development,  
12 aligned with the curriculum of the program,  
13 that will be provided for staff of the program;

14 (E) an explanation of the facilities to be  
15 used for the program;

16 (F) an explanation regarding the duration  
17 of the periods of time that students and teach-  
18 ers in the program will have contact for instruc-  
19 tional purposes (such as the hours per day and  
20 days per week of that contact, and the total  
21 length of the program);

22 (G) an explanation of the proposed stu-  
23 dent-to-teacher ratio for the program, analyzed  
24 by grade level;

1 (H) an explanation of the grade levels that  
2 will be served by the program;

3 (I) an explanation of the approximate cost  
4 per student for the program;

5 (J) an explanation of the salary costs for  
6 teachers in the program;

7 (K) a description of a method for evalu-  
8 ating the effectiveness of the program at the  
9 local level;

10 (L) information describing specific measur-  
11 able goals and objectives, for each academic  
12 subject in which the program will provide in-  
13 struction, that are consistent with, or more rig-  
14 orous than, the adequate yearly progress goals  
15 established by the State under section 1111 of  
16 the Elementary and Secondary Education Act  
17 of 1965;

18 (M) a description of how the local edu-  
19 cational agency will involve parents and the  
20 community in the program in order to raise  
21 academic achievement;

22 (N) a description of how the local edu-  
23 cational agency will acquire any needed tech-  
24 nical assistance that is aligned with the cur-  
25 riculum of the local educational agency for the

1 program, from the State educational agency or  
 2 other entities with demonstrated success in  
 3 using the curriculum; and

4 (O) a statement of a clearly defined goal  
 5 for providing counseling and other transition  
 6 burden relief for military dependent children.

7 (c) PRIORITY.—In making grants under this section,  
 8 the State educational agency shall give priority to local  
 9 educational agencies that demonstrate a high level of need  
 10 for the military charter school programs.

11 (d) FEDERAL SHARE.—

12 (1) IN GENERAL.—The Federal share of the  
 13 cost described in subsection (a) is 50 percent.

14 (2) NON-FEDERAL SHARE.—The non-Federal  
 15 share of the cost may be provided in cash or in kind,  
 16 fairly evaluated, including plant, equipment, or serv-  
 17 ices.

18 **SEC. 107. SUPPLEMENT NOT SUPPLANT.**

19 Funds appropriated pursuant to the authority of this  
 20 title shall be used to supplement and not supplant other  
 21 Federal, State, local, or private funds expended to support  
 22 military charter school programs.

23 **SEC. 108. REPORTS.**

24 (a) STATE REPORTS.—Each State educational agen-  
 25 cy that receives a grant under this title shall annually pre-

1 pare and submit to the Secretary a report. The report  
2 shall describe—

3           (1) the method the State educational agency  
4       used to make grants to eligible local educational  
5       agencies and to provide assistance to schools under  
6       this title;

7           (2) the specific measurable goals and objectives  
8       described in section 105(c)(2)(A) for the State as a  
9       whole and the extent to which the State met each of  
10      the goals and objectives in the year preceding the  
11      submission of the report;

12          (3) the specific measurable goals and objectives  
13      described in section 106(b)(2)(L) for each of the  
14      local educational agencies receiving a grant under  
15      this title in the State and the extent to which each  
16      of the agencies met each of the goals and objectives  
17      in that preceding year;

18          (4) the steps that the State educational agency  
19      will take to ensure that any such local educational  
20      agency that did not meet the goals and objectives in  
21      that year will meet the goals and objectives in the  
22      year following the submission of the report, or the  
23      plan that the State educational agency has for re-  
24      voking the grant awarded to such an agency and re-

1 distributing the grant funds to existing or new mili-  
2 tary charter school programs;

3 (5) how eligible local educational agencies and  
4 schools used funds provided by the State educational  
5 agency under this title;

6 (6) the degree to which progress has been made  
7 toward meeting the goals and objectives described in  
8 section 105(c)(2)(A); and

9 (7) best practices for the Secretary to share  
10 with interested parties.

11 (b) REPORT TO CONGRESS.—The Secretary shall an-  
12 nually prepare and submit to Congress a report. The re-  
13 port shall describe—

14 (1) the methods the State educational agencies  
15 used to make grants to eligible local educational  
16 agencies and to provide assistance to schools under  
17 this title;

18 (2) how eligible local educational agencies and  
19 schools used funds provided under this title; and

20 (3) the degree to which progress has been made  
21 toward meeting the goals and objectives described in  
22 sections 105(c)(2)(A) and 106(b)(2)(L).

23 (c) GOVERNMENT ACCOUNTING OFFICE REPORT TO  
24 CONGRESS.—The Comptroller General of the United  
25 States shall conduct a study regarding the demonstration

1 program carried out under this title and the impact of the  
 2 program on student achievement. The Comptroller Gen-  
 3 eral shall prepare and submit to Congress a report con-  
 4 taining the results of the study.

5 **SEC. 109. ADMINISTRATION.**

6 (a) FEDERAL.—The Secretary shall develop program  
 7 guidelines for and oversee the demonstration program car-  
 8 ried out under this title.

9 (b) LOCAL.—The commander of each military instal-  
 10 lation served by a military charter school assisted under  
 11 this title shall establish a nonprofit corporation or an over-  
 12 sight group to provide the applicable local educational  
 13 agency with oversight and guidance regarding the day-to-  
 14 day operations of the military charter school.

15 **SEC. 110. AUTHORIZATION OF APPROPRIATIONS.**

16 There are authorized to be appropriated to carry out  
 17 this title—

- 18 (1) \$5,000,000 for fiscal year 2004;
- 19 (2) \$7,000,000 for fiscal year 2005;
- 20 (3) \$9,000,000 for fiscal year 2006;
- 21 (4) \$11,000,000 for fiscal year 2007; and
- 22 (5) \$13,000,000 for fiscal year 2008.

23 **SEC. 111. TERMINATION.**

24 The authority provided by this title terminates 5  
 25 years after the date of the enactment of this Act.

1 **TITLE II—CREDIT ENHANCE-**  
 2 **MENT INITIATIVES TO PRO-**  
 3 **MOTE MILITARY CHARTER**  
 4 **SCHOOL FACILITY ACQUISSI-**  
 5 **TION, CONSTRUCTION, AND**  
 6 **RENOVATION**

7 **SEC. 201. CREDIT ENHANCEMENT INITIATIVES TO PRO-**  
 8 **MOTE MILITARY CHARTER SCHOOL FACILITY**  
 9 **ACQUISITION, CONSTRUCTION, AND RENOVA-**  
 10 **TION.**

11 Title V of the Elementary and Secondary Education  
 12 Act of 1965 (20 U.S.C. 7201 et seq.) is amended by add-  
 13 ing at the end the following:

14 **“PART E—CREDIT ENHANCEMENT INITIATIVES**  
 15 **TO PROMOTE MILITARY CHARTER SCHOOL**  
 16 **FACILITY ACQUISITION, CONSTRUCTION,**  
 17 **AND RENOVATION.**

18 **“SEC. 5701. PURPOSE.**

19 “The purpose of this part is to provide grants to eligi-  
 20 ble entities to permit the eligible entities to establish or  
 21 improve innovative credit enhancement initiatives that as-  
 22 sist military charter schools to address the cost of acquir-  
 23 ing, constructing, and renovating facilities.

24 **“SEC. 5702. GRANTS TO ELIGIBLE ENTITIES.**

25 “(a) GRANTS FOR INITIATIVES.—

1           “(1) IN GENERAL.—The Secretary shall use  
 2           100 percent of the amount available to carry out  
 3           this part to award grants to eligible entities that  
 4           have applications approved under this part, to enable  
 5           the eligible entities to carry out innovative initiatives  
 6           for assisting military charter schools to address the  
 7           cost of acquiring, constructing, and renovating facili-  
 8           ties by enhancing the availability of loans or bond fi-  
 9           nancing.

10           “(2) NUMBER OF GRANTS.—The Secretary  
 11           shall award not less than 4 grants under this part  
 12           in each fiscal year.

13           “(b) GRANTEE SELECTION.—

14           “(1) DETERMINATION.—The Secretary shall  
 15           evaluate each application submitted, and shall deter-  
 16           mine which applications are of sufficient quality to  
 17           merit approval and which are not.

18           “(2) MINIMUM GRANTS.—The Secretary shall  
 19           award at least—

20                   “(A) 1 grant to an eligible entity described  
 21                   in section 5710(1)(A);

22                   “(B) 1 grant to an eligible entity described  
 23                   in section 5710(1)(B); and

24                   “(C) 1 grant to an eligible entity described  
 25                   in section 5710(1)(C),

1 if applications are submitted that permit the Sec-  
2 retary to award the grants without approving an ap-  
3 plication that is not of sufficient quality to merit ap-  
4 proval.

5 “(c) GRANT CHARACTERISTICS.—Grants under this  
6 part shall be in sufficient amounts, and for initiatives of  
7 sufficient scope and quality, so as to effectively enhance  
8 credit for the financing of military charter school acquisi-  
9 tion, construction, or renovation.

10 “(d) SPECIAL RULE.—In the event the Secretary de-  
11 termines that the funds available to carry out this part  
12 are insufficient to permit the Secretary to award not less  
13 than 4 grants in accordance with subsections (a) through  
14 (c)—

15 “(1) subsections (a)(2) and (b)(2) shall not  
16 apply; and

17 “(2) the Secretary may determine the appro-  
18 priate number of grants to be awarded in accordance  
19 with subsections (a)(1), (b)(1), and (c).

20 **“SEC. 5703. APPLICATIONS.**

21 “(a) IN GENERAL.—To receive a grant under this  
22 part, an eligible entity shall submit to the Secretary an  
23 application in such form as the Secretary may reasonably  
24 require.

1       “(b) CONTENTS.—An application submitted under  
2 subsection (a) shall contain—

3               “(1) a statement identifying the activities pro-  
4 posed to be undertaken with funds received under  
5 this part, including how the eligible entity will deter-  
6 mine which military charter schools will receive as-  
7 sistance, and how much and what types of assistance  
8 the military charter schools will receive;

9               “(2) a description of the involvement of military  
10 charter schools in the application’s development and  
11 the design of the proposed activities;

12               “(3) a description of the eligible entity’s exper-  
13 tise in capital market financing;

14               “(4) a description of how the proposed activities  
15 will—

16                       “(A) leverage private sector financing cap-  
17 ital, to obtain the maximum amount of private  
18 sector financing capital, relative to the amount  
19 of government funding used, to assist military  
20 charter schools; and

21                       “(B) otherwise enhance credit available to  
22 military charter schools;

23               “(5) a description of how the eligible entity pos-  
24 sesses sufficient expertise in education to evaluate

1 the likelihood of success of a military charter school  
2 program for which facilities financing is sought;

3 “(6) in the case of an application submitted by  
4 a State governmental entity, a description of the ac-  
5 tions that the entity has taken, or will take, to en-  
6 sure that military charter schools within the State  
7 receive the funding the schools need to have ade-  
8 quate facilities;

9 “(7) an assurance that the eligible entity will  
10 give priority to funding initiatives that assist mili-  
11 tary charter schools in which students have dem-  
12 onstrated academic excellence or improvement dur-  
13 ing the 2 consecutive academic years preceding sub-  
14 mission of the application; and

15 “(8) such other information as the Secretary  
16 may reasonably require.

17 **“SEC. 5704. MILITARY CHARTER SCHOOL OBJECTIVES.**

18 “An eligible entity receiving a grant under this part  
19 shall use the funds received through the grant, and depos-  
20 ited in the reserve account established under section  
21 5705(a), to assist 1 or more military charter schools to  
22 access private sector capital to accomplish 1 or more of  
23 the following objectives:

24 “(1) The acquisition (by purchase, lease, dona-  
25 tion, or otherwise) of an interest (including an inter-

1 est held by a third party for the benefit of a military  
2 charter school) in improved or unimproved real prop-  
3 erty that is necessary to commence or continue the  
4 operation of a military charter school.

5 “(2) The construction of new facilities, or the  
6 renovation, repair, or alteration of existing facilities,  
7 necessary to commence or continue the operation of  
8 a military charter school.

9 “(3) The payment of startup costs, including  
10 the costs of training teachers and purchasing mate-  
11 rials and equipment, including instructional mate-  
12 rials and computers, for a military charter school.

13 **“SEC. 5705. RESERVE ACCOUNT.**

14 “(a) IN GENERAL.—For the purpose of assisting  
15 military charter schools to accomplish the objectives de-  
16 scribed in section 5704, an eligible entity receiving a grant  
17 under this part shall deposit the funds received through  
18 the grant (other than funds used for administrative costs  
19 in accordance with section 5706) in a reserve account es-  
20 tablished and maintained by the eligible entity for that  
21 purpose. The eligible entity shall make the deposit in ac-  
22 cordance with State and local law and may make the de-  
23 posit directly or indirectly, and alone or in collaboration  
24 with others.

1       “(b) USE OF FUNDS.—Amounts deposited in such  
2 account shall be used by the eligible entity for 1 or more  
3 of the following purposes:

4           “(1) Guaranteeing, insuring, and reinsuring  
5 bonds, notes, evidences of debt, loans, and interests  
6 therein, the proceeds of which are used for an objec-  
7 tive described in section 5704.

8           “(2) Guaranteeing and insuring leases of per-  
9 sonal and real property for such an objective.

10          “(3) Facilitating financing for such an objective  
11 by identifying potential lending sources, encouraging  
12 private lending, and carrying out other similar ac-  
13 tivities that directly promote lending to, or for the  
14 benefit of, military charter schools.

15          “(4) Facilitating the issuance of bonds by mili-  
16 tary charter schools, or by other public entities for  
17 the benefit of military charter schools, for such an  
18 objective, by providing technical, administrative, and  
19 other appropriate assistance (including the recruit-  
20 ment of bond counsel, underwriters, and potential  
21 investors and the consolidation of multiple military  
22 charter school projects within a single bond issue).

23       “(c) INVESTMENT.—Funds received under this part  
24 and deposited in the reserve account shall be invested in

1 obligations issued or guaranteed by the United States or  
 2 a State, or in other similarly low-risk securities.

3 “(d) REINVESTMENT OF EARNINGS.—Any earnings  
 4 on funds received under this part shall be deposited in the  
 5 reserve account established under subsection (a) and used  
 6 in accordance with subsection (b).

7 **“SEC. 5706. LIMITATION ON ADMINISTRATIVE COSTS.**

8 “An eligible entity that receives a grant under this  
 9 part may use not more than 0.25 percent of the funds  
 10 received through the grant for the administrative costs of  
 11 carrying out the eligible entity’s responsibilities under this  
 12 part.

13 **“SEC. 5707. AUDITS AND REPORTS.**

14 “(a) FINANCIAL RECORD MAINTENANCE AND  
 15 AUDIT.—The financial records of each eligible entity re-  
 16 ceiving a grant under this part shall be maintained in ac-  
 17 cordance with generally accepted accounting principles  
 18 and shall be subject to an annual audit by an independent  
 19 public accountant.

20 “(b) REPORTS.—

21 “(1) ELIGIBLE ENTITY ANNUAL REPORTS.—

22 Each eligible entity receiving a grant under this part  
 23 annually shall submit to the Secretary a report of  
 24 the eligible entity’s operations and activities under  
 25 this part.

1           “(2) CONTENTS.—Each such annual report  
2 shall include—

3           “(A) a copy of the eligible entity’s most re-  
4 cent financial statements, and any accom-  
5 panying opinion on such statements, prepared  
6 by the independent public accountant auditing  
7 the financial records of the eligible entity;

8           “(B) a copy of any report made on an  
9 audit of the financial records of the eligible en-  
10 tity that was conducted under subsection (a)  
11 during the reporting period;

12           “(C) an evaluation by the eligible entity of  
13 the effectiveness of the entity’s use of the Fed-  
14 eral funds provided under this part in  
15 leveraging private funds;

16           “(D) a listing and description of the mili-  
17 tary charter schools served by the eligible entity  
18 with such Federal funds during the reporting  
19 period;

20           “(E) a description of the activities carried  
21 out by the eligible entity to assist military char-  
22 ter schools in meeting the objectives set forth in  
23 section 5704; and

24           “(F) a description of the characteristics of  
25 lenders and other financial institutions partici-

1           pating in the activities undertaken by the eligi-  
 2           ble entity under this part during the reporting  
 3           period.

4           “(3) SECRETARIAL REPORT.—The Secretary  
 5           shall review the reports submitted under paragraph  
 6           (1) and shall provide a comprehensive annual report  
 7           to Congress on the activities conducted under this  
 8           part.

9           **“SEC. 5708. NO FULL FAITH AND CREDIT FOR GRANTEE OB-**  
 10           **LIGATIONS.**

11          “No financial obligation of an eligible entity entered  
 12          into pursuant to this part (such as an obligation under  
 13          a guarantee, bond, note, evidence of debt, or loan) shall  
 14          be an obligation of, or guaranteed in any respect by, the  
 15          United States. The full faith and credit of the United  
 16          States is not pledged to the payment of funds that may  
 17          be required to be paid under any obligation made by an  
 18          eligible entity pursuant to any provision of this part.

19          **“SEC. 5709. RECOVERY OF FUNDS.**

20          “(a) IN GENERAL.—The Secretary, in accordance  
 21          with chapter 37 of title 31, United States Code, shall col-  
 22          lect—

23                 “(1) all of the funds in a reserve account estab-  
 24                 lished by an eligible entity under section 5705(a), if  
 25                 the Secretary determines, not earlier than 2 years

1 after the date on which the entity first received  
2 funds under this part, that the entity has failed to  
3 make substantial progress in carrying out the pur-  
4 poses described in section 5705(b); or

5 “(2) all or a portion of the funds in a reserve  
6 account established by an eligible entity under sec-  
7 tion 5705(a), if the Secretary determines that the el-  
8 igible entity has permanently ceased to use all or a  
9 portion of the funds in such account to accomplish  
10 any purpose described in section 5705(b).

11 “(b) EXERCISE OF AUTHORITY.—The Secretary shall  
12 not exercise the authority provided in subsection (a) to  
13 collect from any eligible entity any funds that are being  
14 properly used to achieve 1 or more of the purposes de-  
15 scribed in section 5705(b).

16 “(c) PROCEDURES.—The provisions of sections 451,  
17 452, and 458 of the General Education Provisions Act (20  
18 U.S.C. 1234, 1234a, 1234g) shall apply to the recovery  
19 of funds under subsection (a).

20 “(d) CONSTRUCTION.—This section shall not be con-  
21 strued to impair or affect the authority of the Secretary  
22 to recover funds under part D of the General Education  
23 Provisions Act (20 U.S.C. 1234 et seq.).

24 **“SEC. 5710. DEFINITIONS.**

25 “In this part:

1           “(1) ELIGIBLE ENTITY.—The term ‘eligible en-  
2           tity’ means—

3                   “(A) a public entity, such as a military in-  
4                   stallation as defined in section 2687(e)(1) of  
5                   title 10, United States Code;

6                   “(B) a private nonprofit entity; or

7                   “(C) a consortium of entities described in  
8                   subparagraphs (A) and (B).

9           “(2) MILITARY CHARTER SCHOOL.—The term  
10          ‘military charter school’ has the meaning given such  
11          term by regulations promulgated by the Secretary of  
12          Defense.

13   **“SEC. 5711. AUTHORIZATION OF APPROPRIATIONS.**

14          “‘There are authorized to be appropriated to carry out  
15          this part \$10,000,000 for fiscal year 2004 and each suc-  
16          ceeding fiscal year.’”.

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